

Message Text

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ACTION NEA-10

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R 251045Z AUG 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1716

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJ: PAKISTAN'S BALANCE OF PAYMENTS 1974/75

1. SUMMARY: PRELIMINARY ESTIMATES OF PAKISTAN'S BALANCE OF PAYMENTS FOR FY 1974/75 SHOW A TRADE DEFICIT OF \$1,093 MILLION BUT AN OVERALL DEFICIT OF ONLY \$126 MILLION. TRADE GAP WAS LARGELY COVERED BY FOREIGN AID. THE SMALL OVERALL DEFICIT WAS MET BY GENEROUS IMF DRAWINGS WHICH LED TO AN INCREASE IN THE COUNTRY'S GOLD AND FOREIGN EXCHANGE RESERVES OF \$93 MILLION. OUTLOOK FOR FY 1976 IS WORRISOME AND PROSPECTS ARE FOR A LARGER OVERALL DEFICIT. END SUMMARY.

2. ALTHOUGH OFFICIAL, PUBLISHED BALANCE OF PAYMENTS FIGURES FOR 1974/75 WILL PROBABLY NOT BE AVAILABLE FOR SOME TIME, OUR ESTIMATES, BASED ON FIGURES FROM THE PLANNING COMMISSION, ARE AS FOLLOWS:

BALANCE OF PAYMENTS 1974/75

(\$ MILLION)

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EXPORTS	1047
IMPORTS (1)	2140
TRADE BALANCE	-1093
INVISIBLE RECEIPTS (EST)	556
(2)	
(OF WHICH: REMITTANCES	204)
INVISIBLE PAYMENTS	605
(OF WHICH: INTEREST	
ON FOREIGN DEBT	88)
CURRENT ACCOUNT BALANCE	-1142

AMORTIZATION OF FOREIGN	
DEBT	-147
LONG-TERM CAPITAL	1022
BASIC BALANCE	-267

SHORT TERM BORROWINGS (3)	115
E&O	26
OVERALL DEFICIT	-126

FINANCED BY: IMF	219
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CHANGE IN RESERVES -93 (INCREASE)

NOTES:

(1) BASED ON FOOD WING ESTIMATE OF 1.5 MILLION TONS
OF WHEAT IMPORTS.

(2) RECEIPTS TO APRIL \$463 MILLION, OF WHICH \$204
MILLION REMITTANCES.

(3) MOSTLY TO FINANCE WHEAT IMPORTS.

3. THE USE OF IMF RESOURCES INCLUDE SDR 125 MILLION
FROM THE OIL FACILITY AND SDR 51 MILLION DRAWN UNDER
THE STANDBY AGREEMENT. OVERALL RESERVES AS OF JUNE 30
STOOD AT \$470 MILLION AS AGAINST \$376 MILLION THE YEAR
BEFORE.

4. THE STATE BANK'S PRELIMINARY BALANCE OF PAYMENTS
FIGURES SHOW SLIGHTLY LOWER IMPORTS AND EXPORTS BUT
BEAR OUT THIS OVERALL PICTURE.

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5. FOR THE NEXT YEAR 1975/76, THE BALANCE OF PAYMENTS
IS LIKELY TO BE UNDER CONTINOUS STRAIN. THE GOP'S
CHIEF ECONOMIST HAS RECENTLY PUBLICLY STATED THAT HE
VIEWED THE BALANCE OF PAYMENTS AS THE COUNTRY'S PRINCIPAL
ECONOMIC PROBLEM IN THE YEAR AHEAD. IMPORTS ARE ALMOST
CERTAIN TO BE ABOVE THE 1974/75 LEVEL, WITH THE GOP
ESTIMATING THE RISE TO BE 27 PERCENT TO \$2.5 BILLION.

THIS MAY SEEM HIGH, BUT IN FY 75 THEY ROSE 54 PERCENT.
OF IMPORTS, POL IS THE SINGLE LARGEST ITEM AND THE POL
BILL WILL PROBABLY BE MORE THAN IN 1974/75 (ESTIMATED AT
\$390 MILLION). WHEAT IMPORTS MAY COME TO \$270 MILLION
(BASED ON GOP ESTIMATE OF 1.5 MILLION TONS), ALTHOUGH
THE GOVERNMENT HOPES TO FINANCE THIS WITH PL-480 AND
OTHER CREDITS.

6. WHILE THE GOP HAS PREDICTED A 20 PERCENT INCREASE
IN EXPORT EARNINGS TO 1.25 BILLION, ACHIEVING THIS
TARGET WILL BY NO MEANS BE EASY. THE EXPECTED GRADUAL
END TO WORLD RECESSION SHOULD INCREASE COTTON YARN AND
TEXTILE EXPORTS, BUT THE CURRENT DECLINE IN WORLD
RICE PRICES AND THUS RICE EXPORT INCOME COULD COUNTER-
BALANCE MUCH OF THIS. INVISIBLE RECEIPTS AND AID
DISBURSEMENTS ARE EXPECTED TO BE AT OR SLIGHTLY ABOVE
LAST YEAR'S LEVEL. THE GOP EXPECTS AID DISBURSEMENTS
TO RISE SLIGHTLY, AND IS COUNTING ON A CONTINUED HIGH LEVEL
OF DISBURSEMENTS FROM OPEC (\$500 MILLION LAST YEAR).
DEBT SERVICE PAYMENTS WILL INCREASE. NET IMF DRAWINGS
MAY NOT BE ABLE TO REACH SAME HIGH LEVEL AS IN
1974/75, SINCE PAKISTAN WILL HAVE TO RECONSTITUTE ITS
SDR HOLDINGS AND SOME REPURCHASING WILL BE COMING DUE.

7. ACCORDINGLY, WE ANTICIPATE A LARGER OVERALL
BALANCE OF PAYMENTS DEFICIT NEXT YEAR.
BYROADE

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